

## **MMA Testimony House Energy Policy Committee HB 4298 (Nesbitt) 4/13/15**

Mr. Chair and Committee Members,

Thank you for the opportunity to be here today to share our views on the current 10% choice program. I am Mike Johnston, VP of Government Affairs at the Michigan Manufacturers Association.

I have with me today representative from three companies that are currently in the 10% choice program. They are: Keith Kenebrew, Associate Commercial Director, Energy & Climate Change Strategy, at Dow Chemical, Bryan Harrison, Corporate Government Affairs at Amway, and Chris Masciantonio, General Manager, Governmental Affairs, at US Steel.

I would like to make a few comments, then, I will hand it over to them to share their company's real world experiences, and explain why they believe the current 10% choice cap provides them reliable energy now and in the future.

### **MMA and Its Members**

I would like to start by talking about MMA and its members. We represent over 2,300 companies. Manufacturing is the largest sector of the Michigan economy, representing 21.4% of the state's gross state product. Our members include some of the most iconic names in American manufacturing, though 85% of our members employ 100 employees or less. Manufacturing employs 589,800 people in Michigan. Manufacturing is driving the Michigan recovery and in fact, Michigan has led the nation in manufacturing job growth for the last five years, having created 114,000 new manufacturing jobs.

The primary characteristic of manufacturing is that it competes in the full scope and scale of the global economy. I often quote Dick Dauche, a legend in American manufacturing, and the founder of the Michigan based, American Axle, who said, "Manufacturers compete on the basis of cost with the lowest cost location anywhere in the world." I think that describes the ongoing competitive challenge for manufacturers.

### **MMA's Position on 10% Choice**

At MMA, we have some members in choice, and some members in the regulated system, so I need to recognize and address the interests and concerns of companies in both the choice and the regulated systems.

In general terms, we share the goals many of you have expressed, Michigan's energy system should deliver prices that allow companies to compete effectively in the global economy, and ensure a high degree of reliability to Michigan customers. We believe maintaining the 10% cap on choice, with some changes, can address both of these shared goals.

#### Appropriate Time for Policy Review

Now is an appropriate time for a policy review of Michigan's energy policy. The primary reason is the need to address the dramatic implications the onerous federal regulations are imposing on Michigan's citizens and our industrial economy. The proposed federal Clean Power Plan and other federal regulations will force the closure of 60% of Michigan's coal fired generation, which makes up 30% of our total generation, in a very short period of time. So we all have to answer the question, how do we move forward in a way that meets the federal mandates, while delivering energy at a price that allows manufacturers to compete in the global economy and providing enough capacity to ensure a reliable energy system for Michigan customers?

#### Providing Certainty and Predictability

We believe the current 10% cap on choice system is working and will continue to work, with some new changes to address certainty and predictability, even in the new world imposed by federal regulations.

As utilities begin to address the capacity needs in the context of the federal Clean Power Plan, they have a legitimate need to know the size of their market. My members in the regulated system have a similar and related concern about potential cost shifts related to the choice market. Both deserve certainty and predictability going forward.

We would address that uncertainty by requiring all providers in Michigan, both alternative electric suppliers and regulated utilities to prove firm capacity committed to their Michigan customers. This requirement would provide certainty and predictability to both those in the choice market and the regulated communities. Assuring adequate capacity helps eliminate surprises to the regulated system and reduces the risk of cost shifts to other customers. In addition, this guarantee allows utilities to predict the size of their customer base and plan for future changes.

In addition, we believe it is reasonable to ask customers that choose to return to the regulated system to pay MISO market rates for capacity for a period of time, unless the utility agrees to accept them back at tariff rates. This will provide additional assurance that existing customers will not be asked to pay costs for the return of those customers to the regulated system.

So, we believe the current system of 10% choice, with these two fundamental changes to address certainty and predictability, will help us move forward on our shared goals of providing energy at a price that allows manufacturers to compete in the global economy and providing enough capacity to ensure a reliable energy system for Michigan's citizens and the manufacturing economy.

## Issues from Previous Hearings

I would like to address just a couple of issues from prior hearings.

- **The UP situation** - You are right to recognize that the situation in the UP was dramatic in terms of impact its impact on customers in the UP and no one wants a repeat of that situation. We support the elimination of the special UP provision from 2008. I would suggest the dynamics in the UP are fundamentally different than the Lower Peninsula. The UP amendment allowed about 80% of the market to go to choice, when there was essentially only one primary generation plant. That is a sharp contrast to the Lower Peninsula, where we are discussing maintaining the 10% cap on choice, in an environment where there are many generation sources. The UP is not analogous to the situation in the Lower Peninsula. We agree with the Chairman, in eliminating that special provision for the UP.
- **Import Capacity** - We support Chairman Nesbitt's proposal to eliminate the Michigan only requirement for renewable energy. We believe that provision in the current act is on weak legal footing. But, more importantly, we must recognize the FERC is imposing costs on Michigan customers for the transmission system being built outside of Michigan, we ought to take advantage of that capacity. While our import capacity has limitations, we ought to take as much advantage of the capacity available to address both price and reliability.

## Conclusion

I will end here and let my members talk. I think it is important that you hear directly from companies, so they can explain why they have a strong sense of confidence in the reliability of the choice system, currently, and going forward; Because you would think the loss of capacity in the Midwest and particularly in Michigan would scare choice customers, but it doesn't – not because these companies have a very high risk tolerance, because most companies don't. I will let them each explain why they have confidence in the choice system.

Let me hand it over to Keith Kenebrew, from Dow.